

22 June 2017

Dear Minister, cc Deputy Permanent Representative

Energy Council - EU Institutional investors' view

Following President Trump's decision to withdraw the US from the Paris Agreement on Climate Change, we are encouraged to see the EU continuing and indeed stepping up its longstanding leadership and commitment to climate action by getting on with the task of implementing one of the most historic and important multilateral accords of recent years. Part of this implementation takes the form of the energy efficiency legislation which you will be discussing and deciding on at the upcoming Council of Energy Ministers on 26th June.

As institutional investors overseeing over €18 trillion in assets across nine European countries, we know that doing the right thing by the planet also makes sound economic sense. Investors recognise that mitigation of climate change is essential for the safeguarding of investments. We also see energy efficiency, low carbon technologies and renewable energy presenting significant investment opportunities which can foster economic growth in Europe and boost job creation, energy import savings, energy security, and citizens' health and wellbeing. As investors, we are therefore stepping up our commitments to sustainable and responsible investment.

We strongly welcomed the Commission's Clean Energy Package when it was published last November. But we are concerned by the apparent likelihood of these proposals being watered down in the Council, and by the risk that the final agreements do not deliver the most cost-effective path to achieving the 2030 climate and energy targets. It is therefore vital that Member States do their part in setting an appropriate and enduring policy framework to support low carbon investment today and for the future, by facilitating markets for green mortgages, retrofit bonds and energy efficiency payment for performance. At the Council, we strongly encourage you to support the following measures:

- A long-term decarbonisation objective embedded into Clean Energy Package legislation, which is aligned with the Paris Agreement and contains an investment strategy including the role of private finance.
- An at least 30% energy efficiency target which is binding at EU level, to send a clear and positive signal to investors, banks and companies, and to allow Member States to decarbonise swiftly enough to ensure a smooth transition to a low carbon economy. To reassure those with cost-effectiveness concerns, it should be noted that 30% is already overly conservative because it assumes unrealistically high investment costs through the use of a single, 10% discount rate rather than a more realistic, nuanced cost and benefit analysis.
- We support the extension of annual energy savings obligations post 2020 and recommend increasing ambition beyond the current level of 1.5%.
- Throughout the package, green and energy efficiency investment must be properly identified and 'tagged', and measurement must be based on actual - rather than measured - energy performance. This is necessary to develop, evaluate and improve financial instruments.

The financial sector will not be able to allocate sufficient capital to clean energy without policies like these to address investors' needs. President Trump made a mis-guided decision in this regard; conversely, the EU has an opportunity to seize. We call on you to make your decisions the right ones.

On behalf of the Institutional Investors Group on Climate Change,



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Deutsche Asset Management	NextEnergy Capital Ltd	Order of Preachers
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Dragon Capital Group Ltd.	Northern Trust Asset Management	Polden-Puckham Charitable Foundation
Earth Capital Partners	OFI Asset Management	Religious Society of Friends
Edentree Investment Management	Ohman	Representative Church Body of the Church of Ireland
Environment Agency Pension Fund	OU Endowment Management	Roman Catholic Diocese of Plymouth
Environmental Technologies Fund	PBU	Roman Catholic Diocese of Portsmouth
ERAFP	PenSam	Scottish Episcopal Church
First State Investments	PensionDanmark	Servite Friars
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